

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1099** HLS 16RS 2057

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 8, 2016	3:17 PM	Author: THIBAUT
Dept./Agy.: Agriculture & Forestry		Analyst: Zachary Rau
Subject: License Fees for Medicinal Marijuana Production		

AGRICULTURE EN SEE FISC NOTE GF EX See Note Page 1 of 2
Provides relative to the assessment of a license fee imposed by the Department of Agriculture and Forestry for the production of marijuana for therapeutic use

Present law requires the LA Dept. of Agriculture & Forestry to develop a specialty license for the production of marijuana for therapeutic use and to limit the number of licensees to one (1). Proposed law establishes the following fees associated with growth of medicinal marijuana: a \$100,000 annual license fee; a \$10,000 application fee; a \$100 administration and inspection fee. Proposed law provides that the LA Dept. of Agriculture & Forestry receive an amount up to 7% of gross therapeutic marijuana sales. Proposed law requires the LA Dept. of Agriculture & Forestry to collect all fees associated with the license to grow marijuana for therapeutic use and requires the department to use the fees to fund expenses associated with the regulation of therapeutic marijuana.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase expenditures for the LA Dept. of Agriculture & Forestry by an indeterminable amount. The regulation of growing and distribution of marijuana for therapeutic use represents an expansion of services for LDAF. The department reports a need to fund expenditures associated with regulation of marijuana grown for therapeutic uses using SGF resources until such a time that self-generated revenues can adequately supplant the SGF. The Legislative Fiscal Office assumes the first two years will utilize SGF resources, though the need for SGF may extend into later fiscal years for this purpose. LDAF anticipates the need for 4 additional T.O. positions at a total personal services cost of \$324,233 (\$205,000 salaries, \$119,333 related benefits) to perform this function. LDAF reports that the expansion and unique nature of the new services will require additional resources to hire persons with outside expertise to perform regulatory functions associated with the growth and dispensing of medicinal marijuana. The 4 T.O. positions are as follows:

- 1 T.O. position for a Program Manager with a salary of \$65,000 plus related benefits
- 1 T.O. position for an Inspector with a salary of \$50,000 plus related benefits
- 1 T.O. position for an Auditor with a salary of \$50,000 plus related benefits
- 1 T.O. positions for an Administrative Specialist A with a salary of \$40,000 plus related benefits

(Expenditure Explanation cont. on Pg. 2)

REVENUE EXPLANATION

Proposed law will increase self-generated revenues for the LA Dept. of Agriculture & Forestry (LDAF) by an indeterminable amount. The proposed legislation allows LDAF to assess a \$10,000 non-refundable application fee, a \$100 permit fee for administrative and inspection costs, and an annual license fee of \$100,000 for growers of marijuana for therapeutic use. In addition, the proposed legislation allows LDAF to retain an amount up to 7% of gross therapeutic marijuana sales to defray costs associated with regulatory functions. The bill further provides that all revenues generated by the department associated with regulation of therapeutic marijuana must be allocated for that purpose.

LA R.S. 40:1046(J)(2) currently allows LDAF to license only one (1) grower of therapeutic marijuana, limiting revenues derived from the \$100,000 annual license fee and \$100 permit fee to \$100,100 annually. However, the \$10,000 application fee has no maximum with respect to the number of potential applicants. The department anticipates three potential applicants for growing licenses. Because the number of applicants to grow therapeutic marijuana is unknown, the revenue increase is indeterminable. Furthermore, because the amount of therapeutic marijuana sales is indeterminable, the potential amount of revenue generated by the department retaining an amount up to 7% of gross sales is indeterminable, but potentially significant. However, a target date to begin growth of the product is presently unknown, so a timeline for when this revenue may be generated and received is also unknown at this time.

Senate Dual Referral Rules House

- | | |
|--|--|
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux

Evan Brasseaux
Staff Director

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1099** HLS 16RS 2057

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 8, 2016 3:17 PM	Author: THIBAUT
Dept./Agy.: Agriculture & Forestry	Analyst: Zachary Rau
Subject: License Fees for Medicinal Marijuana Production	

CONTINUED EXPLANATION from page one:
(Expenditure Explanation cont. from Pg. 1)

In addition to the personal services expenditures, the department anticipates increases in expenditures associated with travel (\$9,000); operating services (\$6,692); supplies (\$4,160); other charges for contracted laboratory services and an inventory control system (\$370,000); and acquisitions (\$14,100) for a total cost of \$728,185 in FY 17.

The Legislative Fiscal Office cannot corroborate the department's anticipated need for additional staff and resources based upon the new regulatory functions being performed. However, as regulating therapeutic marijuana growth and dispensation is a new service for the department, the LFO believes expenditures will increase. Costs and need for personnel may either exceed or fall short of LDAF's projections depending upon the scope and size of the department's functions regarding regulation of therapeutic marijuana. As a result, the exact cost increase is indeterminable.

Note: the proposed legislation allows LDAF to retain revenues equaling 7% of gross sales associated with regulating therapeutic marijuana to defray any programmatic costs, resulting in LDAF being able to fund regulatory expenditures with these revenues in lieu of SGF resources to the extent that such revenues fully cover projected costs. To the extent that self generated revenues are not sufficient to fund projected expenditures, an increase in SGF resources would be necessary. (See Revenue Explanation)

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director